

**BEFORE THE
PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2018-1-E

In the Matter of
Annual Review of Base Rates
for Fuel Costs for
Duke Energy Progress, LLC

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**DIRECT TESTIMONY OF
KENDRA A. WARD FOR DUKE
ENERGY PROGRESS, LLC**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Kendra A. Ward, and my business address is 550 South Tryon Street,
3 Charlotte, North Carolina.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am a Rates Manager supporting both Duke Energy Progress, LLC (“DEP” or the
6 “Company”) and Duke Energy Carolinas, LLC (“DEC”) (collectively, the
7 “Companies”).

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
9 **PROFESSIONAL EXPERIENCE.**

10 A. I have a Bachelor of Arts degree in Political Science and Economics from the
11 University of North Carolina at Chapel Hill and a Masters in Accounting from
12 Appalachian State University. I am a certified public accountant licensed in the
13 State of North Carolina. I began my career in 2004 with Cherry, Bekaert &
14 Holland, LLP as a staff auditor. From 2006 until 2013 I held various financial
15 accounting and reporting roles at Cherry, Bekaert and Holland, LLP; Wachovia
16 Bank (now known as Wells Fargo) and The Shaw Group, Inc. (now known as
17 CB&I). In 2013, I started at Duke Energy as Lead Accounting Analyst and held a
18 variety of positions in the finance organization. I joined the Rates Department in
19 2016 as Manager, Rates and Regulatory Filings.

20 **Q. HAVE YOU TESTIFIED BEFORE THIS COMMISSION IN ANY PRIOR**
21 **PROCEEDINGS?**

1 A. Yes. I testified before the Public Service Commission of South Carolina (“PSCSC”
2 or “Commission”) in DEP’s 2017 fuel and environmental cost recovery proceeding
3 in Docket No. 2017-1-E.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. The purpose of my testimony is to provide DEP’s actual fuel, capacity related costs
6 including Public Utility Regulatory Policies Act of 1978 (“PURPA”) capacity,
7 environmental, and Distributed Energy Resource Program (“DERP”) cost data for
8 March 1, 2017 through February 28, 2018 (the “review period”), the projected fuel,
9 capacity related costs, environmental and DERP cost information for March 1, 2018
10 through June 30, 2018 (the “forecast period”), and DEP’s proposed fuel factors by
11 customer class for July 1, 2018 through June 30, 2019 (the “billing period”). I will
12 provide fifteen exhibits to support my testimony.

13 **Q. WHAT IS THE SOURCE OF THE ACTUAL INFORMATION AND DATA**
14 **FOR THE REVIEW PERIOD?**

15 A. Actual test period kilowatt hour (“kWh”) generation, kilowatt (“kW”) and kWh
16 sales, fuel-related revenues, fuel-related expenses, and DERP revenues and
17 expenses were taken from DEP’s books and records. These books, records, and
18 reports of DEP are subject to review by the appropriate regulatory agencies in the
19 three jurisdictions that regulate DEP’s electric rates.

20 In addition, independent auditors perform an annual audit to provide
21 assurance that, in all material respects, internal accounting controls are operating
22 effectively and DEP’s financial statements are accurate.

23 **Q. DOES DEP PURCHASE POWER AND HOW ARE THESE COSTS**

1 **RECORDED?**

2 A. Yes. The Company continuously evaluates purchasing power if it can be reliably
3 procured and delivered at a price that is less than the variable cost of DEP's
4 generation. In accordance with S.C. Code Ann. § 58-27-865(A), DEP recovers
5 from its South Carolina retail customers an amount that is the lower of the purchase
6 price or DEP's avoided variable cost for generating an equivalent amount of power
7 for its economy purchases. The Company also engages in economy purchases (and
8 economy sales) with DEC as a result of the Joint Dispatch Agreement.

9 The Company also purchases power from certain suppliers that are treated
10 as firm generation capacity purchases. In accordance with S.C. Code Ann. § 58-
11 27-865(A)(2)(a), all amounts paid to these suppliers are recorded as recoverable
12 fuel costs with the exception of capacity charges.

13 Finally, the Company routinely purchases power from qualifying facilities
14 under PURPA. According to revisions in Act 236 that are set forth in S.C. Code
15 Ann. § 58-27-865(A), the avoided cost payments for such purchases are included
16 in fuel recoverable from South Carolina retail customers. In addition, Act 236 also
17 made revisions to § 58-27-865(A)(1) relating to the allocation of any capacity costs
18 that are recovered under the fuel factor.

19 **Q. PLEASE EXPLAIN WARD EXHIBIT NO. 1.**

20 A. Ward Exhibit No. 1 is a summary of DEP's recommended fuel rate components for
21 the billing period. The components include amounts for (1) capacity related costs,
22 (2) DERP avoided costs, (3) variable environmental costs, (4) DERP incremental
23 costs, and (5) all other fuel costs, which are referred to as "base" fuel costs. Ward

1 Exhibit No. 1 presents proposed fuel rates for residential customers including an
2 amount added to account for the 5% discount provided to residential customers
3 under DEP's SC Residential Service Energy Conservation Discount Rider RECD-
4 2C. As shown on Ward Exhibit No. 6, this discount impacts approximately 15%
5 of DEP's South Carolina residential sales. These fuel rate components are
6 supported by Ward Exhibit Nos. 2 through 14 and are individually discussed further
7 in my testimony. The following table shows the rates and monthly charges
8 proposed by the Company in this proceeding as reflected in Ward Exhibit No. 1.
9 As reflected in the table, the DERP incremental cost component is computed as a
10 dollar amount per customer account since these amounts are subject to per-account
11 cost caps established by Act 236. All other fuel components are computed as a rate
12 per kWh or rate per kW depending on the particular customer class.

Description	Customer Class			
	Cents / kWh			
	Residential	General Service (Non-demand)	Lighting	General Service (Demand)
Base Fuel Costs				
Base Fuel Cost Component (Over) / Under Collection at June 2018	0.337	0.337	0.337	0.337
Base Fuel Cost Component Projected Billing Period	2.029	2.029	2.029	2.029
Total Base Fuel Cost Component	2.366	2.366	2.366	2.366
Total Base Fuel Cost Component Increased for RECD	2.384			
Capacity Related Cost				
	Cents / kWh			Cents / kW
Capacity Related Cost Component (Over) / Under Collection at June 2018	0.095	0.000	0.000	1
Capacity Related Cost Component Projected Billing Period	0.581	0.426	0.000	87
Total Capacity Related Cost Component	0.676	0.426	0.000	88
Total Capacity Related Cost Component Increased for RECD	0.681			
Distributed Energy Resource Program Avoided Costs				
	Cents / kWh			Cents / kW
DERP Avoided Cost (Over) / Under Collection at June 2018	0.001	0.001	0.000	0
DERP Avoided Costs Projected Billing Period	0.002	0.002	0.000	0
Total DERP Avoided Cost Component	0.003	0.003	0.000	0
Total DERP Avoided Cost Component Increased for RECD	0.003			
Environmental Costs				
	Cents / kWh			Cents / kW
Environmental Component (Over) / Under Collection at June 2018	(0.017)	(0.019)	N/A	4
Environmental Component Projected Billing Period	0.036	0.027	N/A	5
Total Environmental Component	0.019	0.008	N/A	9
Total Environmental Cost Component Increased for RECD	0.019			
Total Fuel Cost Factor - Cents/ kWh	3.087	2.803	2.366	2.366
Total Demand Fuel Cost Factor - Cents/ kW				97
	Dollars			
	Residential	Commercial	Industrial	
Distributed Energy Resource Program Incremental Cost per Account				
Total DERP Annual Charge -Including GRT	\$ 8.65	\$ 15.28	\$ 1,200.00	
Total DERP Monthly Charge - Including GRT	\$ 0.72	\$ 1.27	\$ 100.00	

Pursuant to Act 236, the capacity components and the DERP avoided cost components are shown separately. Act 236 also requires that capacity costs and avoided costs of distributed energy resource programs be allocated and recovered among customer classes using the same method that is used to allocate and recover variable environmental costs.

In addition, Ward Exhibit No. 1 includes the projected per-account charge per month of \$0.72, \$1.27 and \$100.00, including Gross Receipts Tax ("GRT"), for South Carolina Residential, General Service, and Industrial customers, for the recovery of 100% of the DERP incremental costs, in accordance with S.C. Code Ann. § 58-27-865(A)(1). The DERP incremental cost component is shown

1 separately because Act 236 requires that incremental costs of DERP be allocated
2 among customer classes using the same method that is used to allocate variable
3 environmental costs.

4 **Q. HOW DID DEP'S FUEL REVENUE BILLINGS COMPARE TO THE FUEL**
5 **COSTS INCURRED DURING THE MARCH 2017 TO JUNE 2018 TIME**
6 **PERIOD?**

7 A. Ward Exhibit No. 2 is a monthly comparison of fuel revenues billed to South
8 Carolina retail customers to the actual and estimated jurisdictional fuel costs
9 attributable to those sales. As shown on Exhibit 2, the projected DEP fuel recovery
10 status at June 30, 2018 is an under-recovery of \$22.5 million.

11 **Q. PLEASE EXPLAIN WARD EXHIBIT NO. 3.**

12 A. Ward Exhibit No. 3 presents DEP's recommended projected base fuel rate of
13 2.029¢/kWh for the billing period for the recovery of South Carolina's retail share
14 of \$1.3 billion of projected system fuel expense. The South Carolina retail share
15 also incorporates the NEM avoided fuel benefits assigned fully to SC customers.

16 The fuel forecast supporting the projected fuel cost was generated by an
17 hourly dispatch model that considers the latest forecasted fuel prices, outages at the
18 generating plants based on planned maintenance and refueling schedules, forced
19 outages based on historical trends, generating unit performance parameters, and
20 expected market conditions associated with power purchase and off-system sales
21 opportunities. In addition, the forecasting model reflects the joint dispatch of the
22 combined power supply resources of the DEC and DEP.

1 **Q. PLEASE PROVIDE A STATUS UPDATE OF ENVIRONMENTAL COST**
2 **COLLECTION AND EXPLAIN HOW THESE COSTS HAVE BEEN**
3 **TREATED IN THIS FILING.**

4 A. During the review period, DEP recovered variable environmental costs and the
5 costs of emission allowances through the environmental component of the fuel rate.
6 Environmental costs allocated to the South Carolina retail jurisdiction during the
7 review period were approximately \$1.4 million, as shown by month on Ward
8 Exhibit No. 4. The Company currently estimates that its deferred environmental
9 cost balance will be an over-collection of \$775,000 at June 30, 2018.

10 **Q. HAVE YOU PROVIDED A FORECAST OF ENVIRONMENTAL COSTS?**

11 A. Yes, Ward Exhibit No. 5 presents DEP's estimated system environmental costs for
12 the billing period of \$13.3 million. The South Carolina retail portion is forecasted
13 to be approximately \$1.4 million.

14 **Q. PLEASE DESCRIBE EMISSION-REDUCING CHEMICALS THAT DEP**
15 **WILL INCLUDE IN THE PROPOSED FUEL RATE IN THIS FILING.**

16 A. As Company witness Walsh explains more specifically in his testimony, DEP uses
17 emission-reducing chemicals at its fossil/hydro plants to help it provide low cost,
18 reliable electric generation for its customers while also complying with state and
19 federal environmental control obligations. As a result, DEP has included the cost
20 of magnesium hydroxide, calcium carbonate, ammonia, urea, limestone, lime and
21 hydrated lime incurred during the review period in its fuel cost recovery
22 application. Mercury and Air Toxics Standards ("MATS") chemicals that DEP
23 may use in the future to reduce emissions include, but may not be limited to,

1 activated carbon, mercury oxidation chemicals, and mercury re-emission
2 prevention chemicals.

3 **Q. HOW DID DEP ALLOCATE ENVIRONMENTAL COSTS?**

4 A. Environmental costs were allocated to Residential, General Service (Non-demand),
5 and General Service (Demand) rate classes based upon the firm coincident peak
6 demand experienced. The 2016 firm coincident peak demand was used to allocate
7 costs for the period March 2017 – December 2017 and the 2017 firm coincident
8 peak demand was used to allocate costs for the period January 2018 – June 2019.
9 This allocation is shown on Ward Exhibit Nos. 4 and 5.

10 Rates were designed based on costs allocated to the respective rate classes
11 and the projected energy consumption (in kWh) for the Residential and General
12 Service (Non-demand) schedules. The rate for the General Service (Demand) class
13 was based on projected annual demand (in kW). All allocations were consistent
14 with the methodology approved by this Commission in Order No. 2007-440, issued
15 in DEP's 2007 fuel review proceeding. This methodology has been consistently
16 used in each fuel case since the issuance of the 2007 Order.

17 **Q. PLEASE PROVIDE A STATUS UPDATE OF CAPACITY RELATED**
18 **COSTS COLLECTION AND EXPLAIN HOW THESE COSTS HAVE**
19 **BEEN TREATED IN THIS FILING?**

20 A. During the review period, DEP recovered capacity costs, including PURPA
21 purchased power capacity costs, as well as natural gas transportation (pipeline
22 reservation/lease costs) and storage costs. Capacity costs allocated to the South
23 Carolina retail jurisdiction during the review period were approximately \$16.0

1 million, as shown on Ward Exhibit No. 7. The Company currently estimates that
2 its deferred capacity cost balance of June 2018 will be an under-recovery of \$2.3
3 million. As a result of changes made in S.C. Code Ann. § 58-27-865(A)(1) by Act
4 236, the avoided capacity component of costs are to be allocated and recovered
5 from customers under a separate capacity component of the overall fuel factor
6 based on the same method that is used by the utility to allocate and recovery
7 variable environmental costs.

8 **Q. PLEASE EXPLAIN WARD EXHIBIT NO. 8.**

9 A. Ward Exhibit No. 8 presents DEP's estimated system capacity related costs,
10 including PURPA purchased power capacity costs, as well as natural gas
11 transportation (pipeline reservation/lease costs) and storage costs, for the billing
12 period of \$211.0 million. The South Carolina retail portion is forecasted to be
13 approximately \$22.6 million.

14 **Q. HOW DID DEP ALLOCATE CAPACITY COSTS?**

15 A. Capacity costs were allocated to Residential, General Service (Non-demand), and
16 General Service (Demand) rate classes based upon the firm coincident peak
17 demand. The 2016 firm coincident peak demand was used to allocate costs for the
18 period March 2017 – December 2017 and the 2017 firm coincident peak demand
19 was used to allocate costs for the period January 2018 – June 2019. This allocation
20 is shown on Ward Exhibit Nos. 7 and 8.

21 **Q. ARE DERP COSTS AND ASSOCIATED REVENUES INCLUDED IN THIS**
22 **FUEL FILING?**

1 A. Yes. Pursuant to S.C. Code Ann. § 58-39-130(A)(2), an electrical utility shall be
2 permitted to recover its costs related to its approved DERP. The Commission
3 approved DEP's recovery of DERP costs in Order No. 2015-843. Beginning in
4 January 2016, revenues were collected from customers on a per account basis, and
5 Ward Exhibit Nos. 9-14 provide details regarding the allocation and recovery of the
6 DERP costs.

7 **Q. PLEASE EXPLAIN WHAT IS SHOWN ON WARD EXHIBIT NO. 9.**

8 A. Ward Exhibit No. 9 provides DEP's actual DERP incremental cost for the review
9 period and the estimated DERP incremental cost for the estimated period by month.
10 Incremental costs that were exclusively assigned to the South Carolina retail
11 jurisdiction, during the review period were approximately \$1.6 million¹ and
12 \$729,000 for the estimated period. Ward Exhibit No. 9 also computes a monthly
13 (over)/under recovery of DERP incremental costs by comparing the actual and
14 estimated expenses incurred during the review period and the estimated period to
15 the revenue collected or estimated during the actual and estimated period. As
16 shown on Exhibit 9, the projected DERP incremental cost recovery status at June
17 30, 2018 is an approximate over-recovery of \$736,000.

18 **Q. PLEASE EXPLAIN WHAT IS SHOWN ON WARD EXHIBIT NO. 10.**

19 A. Ward Exhibit No. 10 establishes the monthly charges by customer class for
20 incremental DERP (over)/under recovery. DEP proposes the per-account monthly
21 decrement for over-recovery of \$0.26 \$0.46 and \$39.16 for South Carolina

¹ The \$1.6 million includes the adjustments listed in line item 28.

1 Residential, Commercial (General Service/Lighting) and Industrial customers,
2 excluding GRT.

3 **Q. PLEASE EXPLAIN WHAT IS SHOWN ON WARD EXHIBIT NO. 11.**

4 **A.** Ward Exhibit No. 11 provides DEP's projected DERP incremental cost for the
5 billing period of \$2.8 million.

6 **Q. WHAT INCREMENTAL COSTS ARE INCLUDED ON WARD EXHIBIT**
7 **NOS. 9 AND 11?**

8 **A.** S.C. Code Ann. § 58-39-140 defines "incremental costs" as all reasonable and
9 prudent costs incurred by an electrical utility to implement a distributed energy
10 resource program. This filing includes the following categories of incremental
11 costs:

- 12 • Costs associated with purchase power agreements ("PPA") in excess of the
13 Company's avoided cost rate;
- 14 • The DERP net energy metering ("NEM") Incentive, which is a credit
15 available to eligible NEM customer-generators, approved in Docket No.
16 2014-246-E;
- 17 • Avoided capacity costs associated with NEM, recoverable as an incremental
18 cost based on Section 58-40-20(F)(6);
- 19 • Rebates given to residential and non-residential customers to invest in or
20 lease distributed generation and carrying costs related to the amortization of
21 the rebate amounts;
- 22 • An incentive utilized to lower the subscription charge customers will pay to
23 participate in a Shared Solar program;

- 1 • General and administrative costs, which include the cost of developing and
- 2 implementing programs, cost of incremental labor and additional revenue-
- 3 grade meters; and
- 4 • Carrying costs on under-collected balances due to per account cost caps.

5 **Q. HAS THE COMPANY COMPUTED AN UPDATED DERP NEM**
6 **INCENTIVE AS PART OF THIS FUEL FILING?**

7 A. Yes. There were no changes to the methodology used to derive the DERP NEM
8 incentive and value of solar calculation, described in the Settlement Agreement in
9 Docket No. 2014-246-E and approved in the Commission's Order No. 2015-194 in
10 Docket 2014-246-E. However, the inputs were updated to reflect more current
11 information. Specifically, the hourly load associated with each rate class and the
12 hourly solar profiles were updated for calendar year 2017. Additionally, the billing
13 rates were updated to reflect current rates approved effective January 1, 2018. The
14 analysis reflects updated avoided energy and capacity costs based on Office of
15 Regulatory Staff's recommended rates in the current avoided cost Docket No.
16 1995-1192-E. The calculation of the updated NEM incentive is shown on Exhibit
17 15 and the impact is reflected in the billing period amounts shown on Ward Exhibit
18 Nos. 11 and 12.

19 **Q. HOW DID THE COMPANY ALLOCATE AND RECOVER ITS**
20 **INCREMENTAL COSTS?**

21 A. DEP allocated 100% of DERP incremental costs to Residential, Commercial
22 (General Service/Lighting), and Industrial rate classes based upon the firm peak
23 demand of each class for the prior year. For recovery purposes, each class's

1 allocated portion of incremental costs will be divided by the number of accounts
2 subject to DERP in each class. This method results in an annual dollar per account
3 charge for all accounts subject to DERP in each class. The annual charge is a
4 separate fixed monthly component of the fuel factor for each class of customer.

5 One exception to this approach is the allocation of the avoided capacity
6 costs associated with NEM that is included in the DERP incremental costs. This
7 particular incremental cost has been allocated to South Carolina retail based on its
8 pro rata share of system peak demand, rather than 100%. This DERP cost is related
9 to system generation supply resources. Costs and benefits associated with system
10 generation supply resources are traditionally allocated among all of the Company's
11 rate jurisdictions since such generation supply resources are operated as a portfolio
12 to serve its native load customers in all rate jurisdictions.

13 **Q. PLEASE EXPLAIN WHAT IS SHOWN ON WARD EXHIBIT NO. 12.**

14 A. Ward Exhibit No. 12 shows the calculation of the prospective per-account charge
15 by customer class in order for DEP to recover DERP forecasted incremental costs.
16 DEP has estimated per-account charges per month of \$0.98, \$1.73 and \$146.47 for
17 South Carolina Residential, Commercial and Industrial customers, excluding GRT.
18 Proposed rates are subject to per-account cost caps.

19 **Q. HOW HAS THE COMPANY TREATED UNDER-COLLECTED DERP**
20 **INCREMENTAL COSTS RESULTING FROM REACHING THE PER**
21 **ACCOUNT COST CAP IN THE COMPANY'S 2017 FUEL PROCEEDING?**

22 A. In the Company's 2017 fuel proceeding, Docket No. 2017-1-E, the Residential and
23 Industrial customer classes reached the per-account cost cap set forth in S.C. Code

1 Ann. § 58-39-150. As a result, the DERP-related rates were limited to a monthly
2 per-account charge of \$1.00 for South Carolina Residential customers and \$100.00
3 for South Carolina Industrial customers, including GRT. Consistent with Docket
4 No. 2015-53-E, Order No. 2015-514, the Company reallocates cost in excess of the
5 per-account cost caps among all customer classes with carrying costs applied at the
6 three-year treasury rate plus 65 basis points. Carrying costs calculated on the
7 under-collected balance are shown as a separate incremental cost on Exhibit 9.

8 **Q. HAVE ANY CUSTOMER CLASSES REACHED THE DERP PER**
9 **ACCOUNT CAP IN THIS FILING?**

10 A. Yes, the Industrial customer class has reached the per-account cap in this filing. As
11 a result, we have limited the proposed rates to a per-account per month charge of
12 \$100.00 for South Carolina industrial customers, including GRT.

13 **Q. WHAT DERP AVOIDED COSTS ARE INCLUDED IN THIS FILING?**

14 A. Avoided cost generally refers to the cost the utility avoids when buying power from
15 another entity rather than generating the power itself. Under PURPA, payments
16 made to qualifying facilities for power are based on avoided cost rates. In the DERP
17 context, S.C. Code Ann. §58-39-140(A)(1) states that “avoided cost” for purposes
18 of separating total DERP program costs between incremental and avoided costs is
19 “all costs paid under avoided cost rates, or negotiated rates pursuant to PURPA,
20 which ever is lower.” In S.C. Code Ann. § 58-39-120(B), avoided costs are further
21 defined, indicating that they are to be rates most recently approved by the
22 Commission, or negotiated pursuant to PURPA.

1 **Q. HOW WILL THE COMPANY ALLOCATE AND RECOVER ITS DERP**
2 **AVOIDED COSTS?**

3 A. DEP plans to allocate and recover DERP avoided costs based on the same method
4 that is used by the utility to allocate and recover variable environmental costs. As
5 such, DEP will allocate the South Carolina Retail portion of DERP avoided costs
6 to Residential, General Service (Non-demand), General Service (Demand) and
7 Lighting rate classes based upon the firm peak experienced by each class during the
8 review period. The total cost allocated to each class is divided by projected sales
9 to arrive at a cents per kWh or kW, depending on customer class.

10 **Q. PLEASE EXPLAIN WHAT IS SHOWN ON WARD EXHIBIT NO. 13.**

11 A. Ward Exhibit No. 13 shows the calculation of the (over)/under recovery by
12 customer class of total DERP avoided energy and capacity costs. Avoided energy
13 and capacity costs allocated to the South Carolina retail jurisdiction during the
14 review period were approximately \$25,000, as shown by month on Ward Exhibit
15 No. 13. The Company currently estimates that its deferred environmental cost
16 balance will be an under-collection of \$29,000 at June 30, 2018.

17 **Q. HAVE YOU PROVIDED A FORECAST OF DERP AVOIDED COSTS IN**
18 **WARD EXHIBIT NO. 14?**

19 A. Yes, Ward Exhibit No. 14 provides DEP's projected DERP avoided cost for the
20 billing period of \$803,000. The South Carolina retail portion is forecasted to be
21 approximately \$86,000.

22 **Q. DO YOU BELIEVE DEP'S ACTUAL FUEL COSTS AND DERP COSTS**
23 **INCURRED DURING THE PERIOD WERE REASONABLE?**

1 A. Yes. I believe the costs were reasonable and that DEP has demonstrated that it has
2 met the criteria set forth in S.C. Code Ann. § 58-27-865. These costs also reflect
3 DEP's continuing efforts to maintain reliable service and an economical generation
4 mix, thereby minimizing the total cost of providing service to DEP's South Carolina
5 retail customers. I also believe that the DERP costs were reasonable and that DEP
6 has demonstrated that it met the criteria set forth in S.C. Code Ann. § 58-39-
7 130(A)(2).

8 **Q. WHAT ARE THE KEY DRIVERS IMPACTING THE PROPOSED FUEL**
9 **FACTOR?**

10 A. A number of factors contribute to the change in the proposed total fuel cost factors
11 for all customer classes. Total base fuel costs projected for the billing period are
12 increasing primarily due to an under-collection of fuel costs included in the 2018
13 proposed base fuel rates that is larger than the under-collection reflected in existing
14 rates.

15 **Q. INCLUDING THE DERP INCREMENTAL PER ACCOUNT CHARGES,**
16 **WHAT IS THE IMPACT TO CUSTOMERS' BILLS IF THE PROPOSED**
17 **FUEL COST, CAPACITY COST, DERP AVOIDED COST, AND**
18 **ENVIROMENTAL COST FACTORS ARE APPROVED BY THE**
19 **COMMISSION?**

20 A. The impact of all components of this filing to customers' monthly bills of an average
21 Residential customer using 1000 kWh per month is an increase of \$3.24, or 2.7%.
22 The impacts for General Service (Non-demand), Lighting and General Service
23 (Demand) vary by customer, but are approximately of 0.1%, 0.3% and 2.0%,

1 respectively.

2 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

3 A. Yes, it does.